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U.S. House of Representatives

COMMITTEE ON THE BUDGET

Washington, DC 20515

March 13, 2000

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Preliminary Analysis of Republican Budget Agreement on Budget Resolution

Dear Democratic Colleague:

Last Friday, House and Senate Republican leaders reached an agreement on the outline of a budget resolution for next year.

Though press accounts of their budget agreement are somewhat sketchy, they nonetheless indicate that this year's Republican budget resolution will look very similar to the discredited resolutions they have written the last two years. Their deep cuts in non-defense discretionary spending, their failure to extend the solvency of Social Security and Medicare, and their large tax cuts all put us on track for another budget train wreck in September.

The Democratic staff of the House Budget Committee has prepared the attached preliminary analysis which I hope you find useful. As we get more details about their resolution, I will forward them to you.

Sincerely,

John M. Spratt, Jr.
Ranking Democratic Member



House Budget Committee

Democratic Caucus

U.S. Rep. John Spratt ■ Ranking Democratic Member

Preliminary Analysis of Republican Budget Agreement on Budget Resolution

Though press accounts of the budget agreement just reached by Republican leaders are incomplete, they nonetheless indicate that this year's Republican budget resolution will look very similar to the discredited resolutions they have written the last two years. Their deep cuts in non-defense discretionary spending, their failure to extend the solvency of Social Security and Medicare, and their large tax cuts all put us on track for another budget train wreck in September.

Based on press reports and public statements made so far by Republican leaders about their agreement, the following is a summary of their resolution:

- The Republican budget will not take any steps to extend the solvency of either Social Security or Medicare.
- Defense spending of \$307 billion is proposed for 2001, an increase of \$17 billion from 2000 and \$1 billion more than requested by the President.
- Nondefense discretionary spending of \$289 billion is proposed for 2001, a decrease of \$7 billion from 2000.
- Given the bipartisan agreement that defense spending should continue to increase faster than inflation, the tax cut in the Republican budget is so large that it requires large and growing cuts in the purchasing power of domestic appropriated programs.
- The Republican budget will cut taxes by \$10 billion in 2001 and by \$150 billion over five years. In addition, Republicans have claimed that there might be as much as \$60 billion more in tax cuts over five years. This second tier of tax cuts may be premised on an improvement in budget projections when CBO releases new estimates this summer and may not have reconciliation protection.
- The \$150 billion, five-year tax cut in the Republican budget resolution is approximately the same size as the \$156 billion cut last year, which was rejected as fiscally irresponsible. Even so, the Republican budget resolution's tax cut is less than half the size of the cut proposed by Governor George W. Bush.
- The Republican budget resolution will extend only five years into the future. This obscures the fact that Republican tax cuts grow rapidly over time and that the Republican budget plan would require increasingly severe cuts in real purchasing power for domestic appropriations after 2005.
- Republicans already have indicated that they intend to increase 2001 funding for the National Institutes of Health (NIH), education, veterans, ground transportation, and aviation. Increasing these programs will require even deeper cuts in other domestic programs beyond those required by the Republican budget plan's cut for total domestic appropriations.

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